

Cal-Dale

AR52

Corp report



1972

ANNUAL REPORT

CALVERT-DALE ESTATES LIMITED

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ANNUAL REPORT

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DIRECTORS' REPORT

to the Shareholders

Your directors are pleased to be able to report the best operating profit since incorporation of the company in October 1961. Operating income before income taxes and extraordinary items for the year ended July 1, 1972 of \$158,909 compares with a loss the year before of \$10,465.

Sales increased by 10% despite the fact that the previous fiscal period included 53 weeks while this year included 52 weeks. The increase is attributable to three major factors. Our Montreal operations returned to a profitable level after the crisis in the autumn of 1970. The florists supply division has benefitted from the exclusive distributorships of pottery and personalized packaging materials. Supply sales increased by more than 17% in the year. The date of Easter in 1972 gave us the best possible spacing between major floral holidays, and allowed production from our greenhouses to show a considerable increase. During the first quarter of the current fiscal year, sales have increased a further 6%.

The costs of production were reduced considerably, due in part to the fact that we required fewer new rose plants during the year. Cost savings in plant purchases and general operating costs were offset by the increase in the costs of fuel oil. Product handling costs and administrative expenses showed increases of less than 2%.

In the latter part of 1971 the company was faced with an immediate and serious working capital problem which was relieved by the issue in December 1971 of \$200,000 10% subordinated convertible debentures due in 1976. The profitability through the latter part of the year also improved our cash position.

During the summer the company installed a computer which will eventually handle all the accounting records and speed up internal reporting. At the present time the sales and accounts receivable systems are operating effectively on the new equipment.

During the year some progress has been made with respect to our long-range plan for land uses. The town council of the Town of Brampton released 6.7 acres of property at the corner of Main and Vodden Streets for development, but has temporarily limited further development until completion of the new main sewer which is currently under construction. The greenhouses on this property are the oldest of the company's ranges and are substantially beyond repair. If the company should dispose of this property the loss of these greenhouses will reduce the productive capacity by a substantial amount. It will, however, together with the maturing mortgages receivable, materially improve our long term debt position.

In light of the foregoing, the company engaged Stewart, Young and Mason Limited to appraise certain of the company's properties. Their report, submitted September 30, 1972, places a market value of \$4,335,000 as at December 31, 1971, on properties carried in the July 1, 1972 balance sheet at a net book value of \$1,499,028.

Without the loyalty and co-operation of our employees, customers and suppliers the present operating results would not have been attainable. On your behalf, I extend our sincere appreciation.

On behalf of the Board of Directors



ROY A. NICHOLSON, President.

November 1, 1972

Clarkson, Gordon & Co.

Chartered Accountants

Royal Trust Tower
P.O. Box 251 Toronto-Dominion Centre
Toronto 111, Canada

Halifax Saint John Quebec Montreal Ottawa
Toronto Hamilton Kitchener London Windsor
Thunder Bay Winnipeg Regina Calgary
Edmonton Vancouver Victoria

Arthur Young, Clarkson, Gordon & Co.
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Telephone 864-1234 (Area Code 416)

AUDITORS' REPORT

To the Shareholders of
Calvert-Dale Estates Limited:

We have examined the consolidated balance sheet of Calvert-Dale Estates Limited and its subsidiaries as at July 1, 1972 and the consolidated statements of income, deficit and source and application of cash for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at July 1, 1972 and the results of their operations and the source and application of their cash for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Clarkson, Gordon & Co.

Toronto, Canada,
October 13, 1972.

Chartered Accountants

Cal-Dale

Calvert-Dale Estates Limited
(Incorporated under the laws of Ontario)
and subsidiary companies

Consolidated Balance Sheet

July 1, 1972

ASSETS

| | <u>1972</u> | <u>1971</u> |
|---|---------------------|---------------------|
| CURRENT: | | |
| Cash | \$ 2,560 | \$ 2,560 |
| Accounts receivable | 879,505 | 783,582 |
| Inventories of resale merchandise and production supplies valued at the lower of cost or net realizable value | 796,200 | 679,661 |
| Mortgages receivable (note 2) | 411,433 | 6,000 |
| Prepaid expenses | <u>30,085</u> | <u>19,240</u> |
| | <u>2,119,783</u> | <u>1,491,043</u> |
| MORTGAGES RECEIVABLE (note 2) | | <u>408,433</u> |
| FIXED (note 3): | | |
| Land, buildings and equipment at cost less accumulated depreciation | <u>1,656,089</u> | <u>1,700,775</u> |
| OTHER: | | |
| Sundry deposits | 34,249 | 32,059 |
| Growing crops, patents and trade-marks | <u>1</u> | <u>1</u> |
| | <u>34,250</u> | <u>32,060</u> |
| | <u>\$ 3,810,122</u> | <u>\$ 3,632,311</u> |

On behalf of the Board:

R. A. NICHOLSON
 Director

W. R. PIERSON, JR.
 Director

LIABILITIES

| | <u>1972</u> | <u>1971</u> |
|---|------------------|------------------|
| CURRENT: | | |
| Bank indebtedness (note 4) | \$ 1,054,722 | \$ 1,096,226 |
| Accounts payable and accrued charges | 562,689 | 595,263 |
| Sales and other taxes payable | 39,866 | 44,251 |
| Long term debt payments due within one year (note 5) | <u>459,681</u> | <u>135,000</u> |
| | <u>2,116,958</u> | <u>1,870,740</u> |
| LONG TERM DEBT (note 5) | 987,138 | 1,342,686 |

SHAREHOLDERS' EQUITY

| SHARE CAPITAL (note 6): | | | |
|---|-----------|----------------------------------|--------------|
| Authorized - 2,000,000 shares without par value | | | |
| Issued | - | 956,531 shares (1971 - 943,018). | 1,504,751 |
| | | | 1,489,751 |
| CONTRIBUTED SURPLUS | · · · · · | 7,500 | 7,500 |
| | | 1,512,251 | 1,497,251 |
| DEFICIT | · · · · · | 806,225 | 1,078,366 |
| | | 706,026 | 418,885 |
| | | \$ 3,810,122 | \$ 3,632,311 |

(see accompanying notes)

Cal-Dale Calvert-Dale Estates Limited

Consolidated Statement of Income

FOR THE YEAR ENDED JULY 1, 1972

| | <u>1972</u> (52 weeks) | <u>1971</u> (53 weeks) |
|---|---------------------------|---------------------------|
| Sales | \$ 7,145,931 | \$ 6,483,149 |
| Income before the following items | \$ 425,095 | \$ 287,125 |
| Interest earned | <u>49,018</u> | <u>45,685</u> |
| | <u>474,113</u> | <u>332,810</u> |
| Depreciation (including profit in 1972 of \$2,830 and loss in 1971 of \$11,152 on disposal of fixed assets) | 115,885 | 132,670 |
| Interest on long term debt | 115,552 | 113,822 |
| Other interest | <u>83,767</u> | <u>96,783</u> |
| | <u>315,204</u> | <u>343,275</u> |
| Operating income (loss) before income taxes and extraordinary items | 158,909 | (10,465) |
| Income taxes (note 8) | <u>74,800</u> | <u></u> |
| Income (loss) before extraordinary items | <u>84,109</u> | <u>(10,465)</u> |
| Extraordinary items: | | |
| Profit on sale of real estate | 113,232 | |
| Recovery of income taxes (note 8) | <u>74,800</u> | |
| | <u>188,032</u> | <u></u> |
| Income (loss) for the year (note 9) | <u>\$ 272,141</u> | <u>\$ (10,465)</u> |

Consolidated Statement of Deficit

FOR THE YEAR ENDED JULY 1, 1972

| | <u>1972</u> | <u>1971</u> |
|----------------------------|-------------------|---------------------|
| Deficit, beginning of year | \$ 1,078,366 | \$ 1,067,901 |
| Income (loss) for the year | <u>272,141</u> | <u>(10,465)</u> |
| Deficit, end of year | <u>\$ 806,225</u> | <u>\$ 1,078,366</u> |

(see accompanying notes)

Cal-Dale Calvert-Dale Estates Limited

Consolidated Statement of Source and Application of Cash

FOR THE YEAR ENDED JULY 1, 1972

1972 1971
(52 weeks) (53 weeks)

SOURCE OF CASH:

Operations -

| | | |
|--|----------------|----------------|
| Operating income (loss) before income | | |
| taxes and extraordinary items | \$ 158,909 | \$ (10,465) |
| Depreciation and other charges not | | |
| requiring an outlay of cash | <u>151,200</u> | <u>133,881</u> |
| | 310,109 | 123,416 |
| Issue of 10% subordinated convertible debentures | 200,000 | |
| Proceeds on sale of real estate | 130,845 | |
| Reduction in mortgages receivable | 3,000 | 23,000 |
| Receipt of expropriation claim | | <u>29,100</u> |
| | <u>643,954</u> | <u>175,516</u> |

APPLICATION OF CASH:

| | | |
|--|---------------------|---------------------|
| Payments of long term debt | 235,867 | 91,456 |
| Increase (decrease) in accounts receivable . . | 128,913 | (9,428) |
| Increase in inventories | 116,539 | 44,250 |
| Purchases of fixed assets (net) | 68,812 | 106,516 |
| Decrease (increase) in trade accounts and taxes payable | 36,959 | (28,854) |
| Increase (decrease) in prepaid expenses and other assets | <u>15,360</u> | <u>(3,861)</u> |
| | <u>602,450</u> | <u>200,079</u> |
| Increase (decrease) in bank indebtedness | (41,504) | 24,563 |
| Bank indebtedness, beginning of year | <u>1,096,226</u> | <u>1,071,663</u> |
| Bank indebtedness, end of year | \$ <u>1,054,722</u> | \$ <u>1,096,226</u> |

(see accompanying notes)

Cal-Dale Calvert-Dale Estates Limited

Notes to Consolidated Financial Statements

July 1, 1972

1. BASIS OF CONSOLIDATION

The consolidated financial statements include the accounts of the company's subsidiaries which are inactive.

2. MORTGAGES RECEIVABLE

| | <u>1972</u> | <u>1971</u> |
|--|----------------|----------------|
| 5½% due February 1, 1973 | \$ 268,358 | \$ 268,358 |
| 7½% due June 25, 1973 | 18,500 | 19,500 |
| 7½% due June 25, 1973 | <u>124,575</u> | <u>126,575</u> |
| | 411,433 | 414,433 |
| Less amounts receivable within one year, included with current assets | <u>411,433</u> | <u>6,000</u> |
| | ===== | \$ 408,433 |

The mortgages receivable have been assigned as collateral security for the 7½% and 7½% mortgages payable.

3. FIXED ASSETS

| | <u>Cost</u> | <u>Accumulated depreciation</u> | <u>Net book value</u> | |
|---|--------------------|-------------------------------------|-----------------------|--------------------|
| | <u>1972</u> | <u>1971</u> | | |
| Land (including related costs of \$69,470 in 1972, and \$52,046 in 1971 (note 10(b)) | \$ 737,799 | \$ 737,799 | \$ 718,192 | |
| Buildings and leasehold improvements | 1,362,018 | 571,637 | 790,381 | 846,412 |
| Machinery and equipment | 301,166 | 231,150 | 70,016 | 75,402 |
| Motor vehicles | 151,410 | 109,662 | 41,748 | 43,951 |
| Roadways | 21,924 | 5,779 | 16,145 | 16,818 |
| | <u>\$2,574,317</u> | <u>\$ 918,228</u> | <u>\$1,656,089</u> | <u>\$1,700,275</u> |

4. BANK INDEBTEDNESS

The bank indebtedness of \$1,054,722 and the long term bank loan of \$250,000 referred to in note 5 below are secured by a general assignment of book debts, crops pledged under Section 88 of the Bank Act, a floating charge debenture and a subordinated collateral mortgage on the company's real estate. In addition the bank holds a mortgage bond for \$250,000 that has been hypothecated with it as collateral security for the long term bank loan. Under certain circumstances the bank has the right to require repayment of this loan in advance of the indicated due date. The principal repayment of \$25,000 due September 3, 1972 has been waived.

5. LONG TERM DEBT

| | <u>Original borrowing</u> | <u>Outstanding</u> | |
|--|-------------------------------|--------------------|-------------|
| | | <u>1972</u> | <u>1971</u> |
| Mortgages: | | | |
| 7½% due January 1, 1980 payable \$8,500 quarterly (i) | \$ 500,000 | \$ 219,739 | \$ 280,986 |
| 7½% due January 1, 1980 payable \$6,500 quarterly (i) | 400,000 | 189,102 | 237,500 |
| 6% due January 1, 1975 payable \$50,000 annually | 500,000 | 125,192 | 200,000 |
| 10% due December 15, 1976 payable \$212 monthly, principal and interest included | 20,000 | 19,699 | |
| Convertible debentures: | | | |
| 7½% sinking fund debentures due December 15, 1976, annual sinking fund instalment of \$20,000 (ii) | 350,000 | 134,087 | 180,200 |
| 7% subordinated debentures due October 1, 1974 (note 7) | 150,000 | 4,000 | 19,000 |
| 10% subordinated sinking fund debentures due October 1, 1979, annual sinking fund instalment of \$37,500 commencing October 1, 1974, (iii) | 300,000 | 300,000 | 300,000 |
| 10% subordinated debentures due December 1, 1976 (iv) (note 7) | 200,000 | 200,000 | |
| Notes payable (unsecured): | | | |
| 6% due June 30, 1973 | 50,000 | 5,000 | 10,000 |
| Bank loan: | | | |
| Payable September 3, 1973 (note 4) | 300,000 | 250,000 | 250,000 |
| | | 1,446,819 | 1,477,686 |
| Less amounts due within one year, included with current liabilities | | | |
| | | 459,681 | 135,000 |
| | \$ 987,138 | \$ 1,342,686 | |

- (i) The proceeds from mortgages receivable are to be applied in payment of the 7 1/4% and 7 1/2% mortgages payable. Since the mortgages receivable are due within one year, the long term debt payments due within one year as shown on the balance sheet include the balances outstanding on these mortgages payable.
- (ii) The 7 1/2% sinking fund debentures, which are secured by charges against the company's real property, may be called for redemption at a premium of 2% until December 15, 1972 and thereafter at premiums declining annually by 1/2 of 1% until December 15, 1975 after which date they are redeemable at the principal amount. These debentures are convertible at the holder's option into shares of the company at \$5.34 per share until December 14, 1976.
- (iii) The 10% subordinated sinking fund debentures due October 1, 1979 may be called for redemption at a premium of 7% until September 30, 1973 and thereafter at premiums declining annually by 1% until September 29, 1979 after which date they are redeemable at the principal amount. These debentures are convertible at the holder's option into shares of the company at \$0.90 per share until September 30, 1979.
- (iv) The 10% subordinated debentures due December 1, 1976 were issued for cash during the year and may be called for redemption at a premium of 5% until November 30, 1972 and thereafter at premiums declining annually by 1% until November 29, 1976 after which date they are redeemable at the principal amount. These debentures are convertible at the holder's option into shares of the company at \$0.70 per share until November 30, 1976.

The conversion rates of the debentures described above are subject to change should additional shares of the company be issued.

6. SHARE CAPITAL

During the year, \$15,000 of the 7% subordinated debentures were converted into 13,513 shares of the company at \$1.11 per share in accordance with the terms of the trust deed.

After giving effect to the conversions of debentures subsequent to the year end referred to in note 7 below, 604,157 of the company's authorized but unissued shares are reserved for the possible conversion of the remaining debentures.

7. SUBSEQUENT EVENTS

Subsequent to the year end, the remaining \$4,000 of the 7% subordinated debentures were converted into 3,603 shares of the company at \$1.11 per share and \$28,000 of the 10% subordinated debentures due December 1, 1976 were converted into 40,000 shares at \$0.70 per share.

8. INCOME TAXES

The company follows the tax allocation method of accounting for income taxes. There is no current liability for income taxes for the year ended July 1, 1972 as taxes of \$74,800 otherwise payable on 1972 operating income are offset by tax credits arising from the carry forward of prior years' tax losses and depreciation charges not previously claimed for tax purposes. At July 1, 1972 the amount of prior years' depreciation charges recorded in the accounts but not claimed for income tax purposes was approximately \$880,000.

9. EARNINGS PER SHARE

| | 1972 | 1971 |
|----------------------------------|--------------------------------------|--------------------|
| | Income before extraordinary items | Income for year |
| | | Loss for year |
| Earnings per share | \$0.09 | \$0.28 |
| Fully diluted earnings per share | 0.07 | (0.01) |

The fully diluted earnings per share shows the effect on earnings per share had all the debentures (other than the 7½% sinking fund debentures which are not dilutive) been converted into common shares at the beginning of the year.

10. CONTRACTUAL COMMITMENTS

- (a) Under contractual obligations with respect to leased premises the company is committed to aggregate annual rentals of approximately \$100,000 to 1975 and \$80,000 thereafter to 1986.
- (b) In September 1969 the company entered into an agreement with S. Eric Johnson Limited to prepare a report in connection with the company's lands, including proposals and recommendations for future land uses. Future payments required for these services with respect to the current phase are estimated to be \$35,000. Payments of \$17,424 in 1972 and \$52,046 in prior years have been deferred and included with the carrying value of land in the accompanying financial statements.

11. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

Remuneration of directors and senior officers (as defined under The Business Corporations Act, 1970) amounted to \$101,591 in the year, including \$1,125 paid as directors' fees.

Cal-Dale The Florist's World

| | | |
|------------|---------------------|-----------------------|
| DIRECTORS: | W. R. COOPER | R. A. NICHOLSON * |
| | W. J. CORRIGAN, Jr. | W. R. PIERSON, Jr. * |
| | M. GAASENBEEK * | J. C. STRADWICK, Sr. |
| | G. W. E. GORDON | J. C. STRADWICK, Jr. |
| | P. LATCHMAN * | A. H. ZALDIN, Q. C. * |

* Members of Executive Committee

OFFICERS: R. A. NICHOLSON, President
W. R. PIERSON, Jr., Vice-President and General Manager
G. D. STEPHENS, C. A., Treasurer and Assistant
General Manager
A. H. ZALDIN, Q. C., Secretary

AUDITORS: CLARKSON, GORDON & CO.

BANKER: THE TORONTO-DOMINION BANK

REGISTRAR and TRANSFER AGENT:

CANADA PERMANENT TRUST COMPANY, TORONTO

LISTED: TORONTO STOCK EXCHANGE

LOCATIONS: Head Office and Greenhouses - BRAMPTON, Ontario
Wholesale Branches - Montreal
Ottawa
Toronto

